

ORGANIZATIONAL EXAMINATION

OF

OMEGA US INSURANCE, INC.

AS OF

MARCH 31, 2007

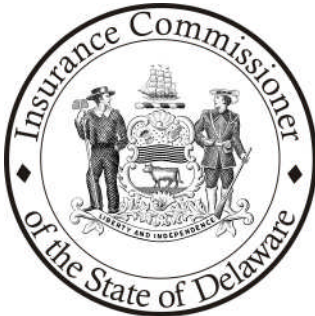
I, Matthew Denn, Insurance Commissioner of the State of Delaware, do hereby certify that the attached ORGANIZATIONAL REPORT ON EXAMINATION, made as of MARCH 31, 2007 of the

OMEGA US INSURANCE, INC.

is a true and correct copy of the document filed with this Department.

ATTEST BY: *Antoinette Handy*

DATE: 17 APRIL 2007



In Witness Whereof, I HAVE HEREUNTO SET MY HAND
AND AFFIXED THE OFFICIAL SEAL OF THIS
DEPARTMENT AT THE CITY OF DOVER, THIS
17TH DAY OF APRIL 2007.

Matthew Denn
Insurance Commissioner

REPORT ON ORGANIZATIONAL EXAMINATION
OF THE
OMEGA US INSURANCE, INC.
AS OF
MARCH 31, 2007

The above captioned Report was completed by examiners of the Delaware Insurance Department.

Consideration has duly been given to the comments, conclusions, and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted, and filed as an official record of this Department.

A handwritten signature in black ink, appearing to read "Matthew Denn", is positioned above a horizontal line.

MATTHEW DENN
INSURANCE COMMISSIONER

DATED this 17TH day of APRIL, 2007.

TABLE OF CONTENTS

| | |
|-----------------------------------|----|
| SALUTATION | 1 |
| SCOPE OF EXAMINATION | 2 |
| HISTORY | 2 |
| MANAGEMENT AND CONTROL | 2 |
| HOLDING COMPANY SYSTEM | 4 |
| FIDELITY BOND COVERAGES | 5 |
| MANAGEMENT AND SERVICE AGREEMENTS | |
| Management and Expense Agreement | 5 |
| Consolidated Tax Agreement | 6 |
| Investment Management Agreement | 6 |
| Custodial Agreement | 6 |
| PLAN OF OPERATION | 7 |
| REINSURANCE | 8 |
| CAPITAL AND SURPLUS REQUIREMENTS | 8 |
| FINANCIAL DATA | 9 |
| NOTES TO FINANCIAL STATEMENTS | 9 |
| CONCLUSION | 11 |

SALUTATION

March 31, 2007

Honorable Matthew Denn
Insurance Commissioner
State of Delaware
841 Silver Lake Boulevard
Dover, Delaware 19904

Dear Commissioner:

In accordance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 07.028, dated March 20, 2007, an Organizational Examination has been conducted of the

Omega US Insurance, Inc.

hereinafter referred to as “Omega” or “the Company”, incorporated under the laws of the State of Delaware as a stock multiple line insurance company.

Omega’s official statutory home office is the same as that of its registered agent, The Corporation Trust Company, located at 1209 Orange Street, Wilmington, Delaware 19801.

Omega presently does not have a permanent administrative home office address and will utilize the office address of its legal representative, the law firm of LeBoeuf, Lamb, Greene & MacRae LLP, located at 125 W. 55th Street, New York, New York 10019. Omega’s official permanent administrative home office address is planned to be established in Chicago, Illinois, subject to the approval of the Illinois Insurance Department. Once such plan is finalized, Omega will provide the official permanent administrative home office address to the Delaware Insurance Department.

This examination was conducted at the New York law firm of LeBoeuf, Lamb, Greene & MacRae LLP located at the address listed previously.

The report of such examination is respectfully submitted herewith.

SCOPE OF EXAMINATION

This organizational examination was conducted in conjunction with Omega's application for a domestic Certificate of Authority in the State of Delaware. Omega's corporate records, records applicable to and attendant with its application, as well as financial data as of March 31, 2007, have been reviewed.

HISTORY

Omega was incorporated on September 5, 2006, under the laws of the State of Delaware and authorized to issue one thousand (1,000) shares with a par value of \$500 per share. As evidenced by common stock certificate number 4 for one thousand (1,000) shares, Omega common stock was issued to Omega US Holdings, Inc. (Omega US Holdings), a Delaware domestic holding company, on March 23, 2007, giving Omega common capital stock of \$500,000.

MANAGEMENT AND CONTROL

Omega's By-Laws, adopted October 5, 2006, state that the business and affairs of the Company shall be managed by a Board of Directors consisting of not less than one (1) or more than fifteen (15) directors. Directors need not be residents of the State of Delaware or shareholders of Omega. As of the examination date, Omega maintained three (3) Directors. The

Directors are to be elected at the annual meeting of the Company's stockholder and shall hold office until the next succeeding annual meeting. The following individuals were elected and qualified members of the Board of Directors as of the examination date:

Board of Directors

| | |
|-----------------------|-----------------------|
| Walter M. Fiederowicz | Chairman of the Board |
| Richard V. Tolliday | |
| Clifford F. Palmer | |

Committees of the Board of Directors

As of the examination date, no committees had been established.

Officers

In accordance with its by-Laws, the officers of the Company shall be a president, a secretary, one or more vice-presidents, a treasurer and other officers and assistant officers as may be elected or appointed by the Board of Directors. The officers of the Company shall serve until their removal or resignation and more than two offices may be held by the same person. Elected officers serving as of the examination date were as follows:

| | |
|-----------------------|---------------------------------------|
| <u>Officer</u> | <u>Position</u> |
| Walter M. Fiederowicz | Chairman of the Board |
| Richard V. Tolliday | President and Chief Executive Officer |
| Timothy J. Lamb | Treasurer and Chief Financial Officer |
| Thomas M. Dawson | Secretary and General Counsel |
| John D. Curry | Chief Underwriting Officer |

The NAIC Biographical Affidavits of Omega's officers and directors were reviewed during this examination. Omega's upstream parent, Omega Insurance Holdings Limited (Omega Holdings Bermuda), a publicly traded United Kingdom company [ticker OIH] domiciled in Bermuda, has a written conflict of interest policy in effect which monitors potential conflicts of interest of officers and directors within the Omega Group. Upon licensure, Omega

intends to adopt a written corporate conflict of interest policy and obtain signed officer and director statements annually.

HOLDING COMPANY SYSTEM

At formation, Omega became a member of an Insurance Holding Company System. Upon licensure, Omega will file an Insurance Holding Company Registration Statement (IHCR Statement) with the Delaware Insurance Department. The following entities, which owned or controlled greater than 10% of voting securities of Omega Holdings Bermuda as of the examination date, are considered ultimate controlling entities of Omega as follows:

| | Voting Common <u>Shares {1}</u> | Voting Control <u>Percent</u> | Economic Interest <u>Percent</u> |
|---|---------------------------------------|-------------------------------------|--|
| Invesco Perpetual UK Investment Series Fund | 33,109,651 | 22.47% | 22.47% |
| John D. Robinson, an individual | 16,740,000 | 11.36% | 11.36% |

The organizational structure as of the examination date with control percentages of the upstream affiliates' control of the downstream affiliate is presented below:

| | <u>Voting Control</u> | <u>Economic Control</u> |
|---|---------------------------|-----------------------------|
| Invesco Perpetual UK Investment Series Fund {2} {3} | 22.47% | 22.47% |
| John Robinson, an individual {2} | 11.36% | 11.36% |
| All Other Entities Combined {4} | 66.17% | 66.17% |
| Omega Insurance Holdings Limited [Bermuda] | 100.00% | 100.00% |
| Omega Underwriting Holdings Limited [England] | 100.00% | 100.00% |
| Omega Specialty Insurance Company Ltd. [Bermuda] | | |
| Omega US Holdings, Inc. [Delaware] | 100.00% | 100.00% |
| Omega US Insurance, Inc. [Delaware] | | |

{1} According to the registrar of Omega Holdings Bermuda, as of the examination date, there were 147,355,563 common shares issued and outstanding

{2} Considered an ultimate controlling entity of Omega for purposes of this examination

- {3} No entity or person controls greater than 44.51% of the voting power or 44.51% of the economic interest of this entity
- {4} No entity or person in this group individually controls greater than 10% of the voting power or 10% of the economic interest of Omega Holdings Bermuda as of the examination date

As part of the examination, Omega's completed NAIC Form 12 - Uniform Consent to Service of Process (Power of Attorney), dated July 25, 2006, and effective October 5, 2006, was reviewed.

FIDELITY BOND COVERAGES

At the present time, Omega does not have fidelity bond or corporate insurance coverage. As represented by management, negotiations with insurance brokers have begun and Omega intends to have appropriate coverage in place shortly.

MANAGEMENT AND SERVICE AGREEMENTS

Management Service Agreement

Omega will have its own employees in the areas of underwriting, claims, legal, IT, administrative and other support staffing.

Constitution Advisors LLC, of which Timothy Lamb [Company Treasurer and CFO] is the sole member, will provide assistance with Omega's financial, accounting, treasury, tax and regulatory matters as necessary.

Omega's record retention policies and procedures were reviewed without exception.

Consolidated Tax Agreement

Upon licensure, Omega plans on entering into an income tax allocation agreement with Omega US Holdings. Upon entering this agreement, the Company will submit a Form D filing to the Delaware Insurance Department in connection with this agreement.

Investment Management Agreement

Omega anticipates entering into an investment advisory agreement with an as yet unnamed unaffiliated third-party vendor. Omega anticipates that such agreement will be similar to the investment advisory agreement entered into between affiliate Omega Specialty Insurance Company Ltd. (Omega Specialty) and Lehman Brothers Asset Management LLC (Lehman Brothers).

Upon licensure, Omega intends to adopt the investment policy and guidelines currently utilized by members of the Omega Group, which were reviewed without exception.

Custodial Agreement

Omega anticipates entering into a custodial agreement with an as yet unnamed unaffiliated third-party vendor. Omega anticipates that such agreement will be similar to the custodial agreements entered into by other members of the Omega Group and will contain all of the required wording as specified in the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. Upon licensure of Omega, an account with an approved custodian will be established with a minimum of \$100,000 of cash or securities to be held by the Delaware Insurance Department for the security and benefit of all policyholders.

PLAN OF OPERATION

Omega is being formed to provide commercial insurance coverage on an excess and surplus lines basis throughout the United States. It is anticipated that Omega will provide property and casualty insurance coverages underwritten and administered by managing general agents (MGAs), managing general underwriters (MGUs) and other third party administrators (TPAs). It is intended that Omega, when properly licensed, will begin writing commercial property and liability coverage in all fifty states. The intended focus of Omega will be on non-marine property insurance, professional indemnity insurance and associated classes, and emphasis will be on underwriting insurance of small to medium sized commercial properties located predominantly in smaller and medium sized cities, as well as in suburban and rural area. It is intended that Omega will utilize only selected MGAs, MGUs, TPAs and other outside service firms for policy management, claims administration, rate and form filing, and other selected administrative functions.

According to its filed application with the Delaware Insurance Department, Omega is seeking to write the following lines of business:

- a.) 18 Del. C. § 904 [property]
- b.) 18 Del. C. § 905 [surety]
- c.) 18 Del. C. § 906(a)(1) – (a)(15) excluding (a)(12) [vehicle, liability, workers compensation & employers liability, burglary & theft, personal property floater, glass, boiler & machinery, leakage & fire extinguisher equipment, credit, malpractice, elevator, livestock, entertainment, miscellaneous]
- d.) 18 Del. C. § 907 [marine and transportation]

Advertising will be limited and directed to surplus lines brokers, not the general public.

REINSURANCE

Omega and its affiliate Omega Specialty entered into a stop loss reinsurance agreement effective January 1, 2007. Omega Specialty is currently rated “A-” (Excellent) by A.M. Best. This reinsurance contract, which was filed with the Delaware Insurance Department on February 9, 2007, provides cover for up to \$7,500,000 in excess of an incurred loss ratio of 100%. This contract is for the 2007 calendar year and is based on an estimated \$15 million in gross writings in 2007. For 2008 and beyond, as Omega grows, it is intended that reinsurance will be reviewed accordingly. Omega intends to effect a whole account quota share reinsurance agreement with Omega Specialty for a portion of its business in 2008 and beyond. Omega intends to file any intercompany reinsurance agreements in a Form D filing with the Delaware Insurance Department as necessary.

CAPITAL AND SURPLUS REQUIREMENTS

18 Del. C. § 511(a) requires the following minimum capital and surplus amounts for a stock multiple line insurance company:

| | |
|----------------------------------|------------------|
| Common Capital Stock | \$500,000 |
| Surplus as Regards Policyholders | <u>250,000</u> |
| Total Capital and Surplus | <u>\$750,000</u> |

As shown in the Financial Data section of this report, as of the examination date, Omega possessed Common Capital Stock of \$500,000, Gross Paid In and Contributed Surplus of \$49,500,000 for Capital and Surplus as Regards Policyholders of \$50,000,000.

FINANCIAL DATA

The financial position of Omega as of the examination date, as determined by this organizational examination was as follows:

| <u>Assets</u> | | | |
|--|---------------------|--|-------------|
| | | | <u>Note</u> |
| Cash | \$50,354,754 | | 1 |
| Receivable from Affiliates | 879,870 | | 2 |
| Total Admitted Assets | <u>\$51,234,624</u> | | |
| | | | |
| <u>Liabilities, Capital and Surplus</u> | | | |
| Other Expenses | \$73,936 | | 3 |
| Payable to Affiliates | <u>\$1,160,688</u> | | 4 |
| Total Liabilities | <u>\$1,234,624</u> | | |
| | | | |
| Common Capital Stock | \$500,000 | | |
| Gross Paid In and Contributed Surplus | 49,500,000 | | |
| Unassigned Funds | 0 | | |
| Capital and Surplus as Regards Policyholders | <u>\$50,000,000</u> | | |
| | | | |
| Total Liabilities, Capital and Surplus | <u>\$51,234,624</u> | | |

NOTES TO FINANCIAL STATEMENTS

| | | |
|--------|------|--------------|
| Note 1 | Cash | \$50,354,754 |
|--------|------|--------------|

Of the reported balance, \$49,000,000 was held at Bank of America (brokerage account), \$999,985 was held at Regions Bank (operating account) and \$354,769 was held at Bank of America (payroll account). The cash reported as of the examination date was confirmed directly with the listed banks.

| | | |
|--------|---------------------------|-----------|
| Note 2 | Receivable from Affiliate | \$879,870 |
|--------|---------------------------|-----------|

account on January 3, 2007, and an advance of \$71,018 relating to estimated 2007 operating expenses.

CONCLUSION

Based on the organizational examination conducted as of March 31, 2007, the financial condition of the Omega US Insurance, Inc. was found to be as follows:

| | |
|--|---------------------|
| Assets | <u>\$51,234,624</u> |
| Liabilities | <u>\$1,234,624</u> |
| Capital Stock | \$500,000 |
| Paid In and Contributed Surplus | <u>49,500,000</u> |
| Total Surplus as Regards Policyholders | <u>\$50,000,000</u> |

Upon completion of the organizational examination, Omega has complied with the capitalization requirements for the State of Delaware. The examination was conducted by the undersigned.

Respectfully Submitted,



Andrew E. Chiodini, CFE
Examiner-In-Charge
Department of Insurance
State of Delaware